

A Special Meeting of the Board of Directors of the Suffolk Regional Off-Track Betting Corporation was held on November 19, 2009 at 10:00 A.M. at Corporate Headquarters, 5 Davids Drive, Hauppauge, New York.

The following persons were present:

Dominick P. Feeney	Chairman
Herbert Hemendinger	Vice Chairman
Eddie S. Wynn	Secretary
Jeffrey A. Casale	President/CEO
Neil H. Tiger	Corporate Counsel
Celine Gazes	Comptroller
Edna Donohue	Corresponding Secretary to Board

Also Present:

William Shilling	Liaison to the Suffolk County Legislature
Debbie Pfeiffer	Director of Government and Public Affairs
David Needham	Chief of Staff
Russ Kratoville	Deputy Comptroller
Tom Kilmartin	Budget Director
Cathy Rice	Local 237 Teamsters Representative

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The Meeting was called to order by Chairman Feeney at 9:59 A.M.

**ITEM #1      APPROVAL OF MINUTES OF THE BOARD OF DIRECTORS MEETING OF OCTOBER 22, 2009**

Chairman Feeney stated that the first item on the Agenda was to approve the Minutes of the Board of Directors Meeting of October 22, 2009. Vice-Chairman Hemendinger made a motion that the Minutes be approved, seconded by Secretary Wynn and passed unanimously.

**ITEM #2      OCTOBER HANDLE REPORT**

Comptroller Gazes reported that handle for the month of October was down 16.8% from 2008 and year-to-date down from 2008 14.1%. Handle for October was down from projected 13.3% and 6.8% from projected year-to-date. Allowing for the Breeders' Cup which took place in October in 2008, then the decline would be approximately 11.7%.

Page 2 is a report of handle by branch. Qwik-Bet handle is up 42.6% both because of the additional locations in 2009 but also the big bettor has returned to the Dunton Inn. Most of the branches were down significantly with the following having the highest declines: Huntington down 27.8%, Southampton down 35.7% (shorter hours) and The Racing Forum down 28.2%. Branches that were up for the month were Riverhead at 12.8% and Grand Blvd. up 10.0%. It would appear from the handle figures at Shirley up 1.2% and Airport up 4.7% that most of the handle from the closed Patchogue branch has been retained.

Page 3 is an analysis of handle by entity. Phone Room handle as a percentage of total month-to-date handle increased from 12.8% in 2008 to 13.2% in 2009. MTD handle at the Racing Forum as a percentage of total decreased from 27.0% to 23.3%. Handle for the regular branches as a percentage of total increased from 58.0% in 2008 to 59.7% in 2009. Qwik-Bets have increased from 2.2% to 3.9% of total handle. Year-to-date handle for these categories as a percentage of total year-to-date handle show the same trends as seen all year.

As a result of the increased percentage of handle coming from the regular branches and Qwik-Bets, the surcharge revenue decreased for the month 11.5% despite the 16.8% decreased in handle. Year-to-date total surcharge revenue is down about 10.1%.

Page 4 contains a graphical representation of handle by branch for 2009 versus 2008.

Page 5 is a summary of handle by track. NYRA handle decreased 13.4% compared to 2008 despite one additional racing day. Finger Lakes handle was up 1.5%. Overall, in-state harness handle decreased by 21.73% mainly due to our regional harness tracks which ran fewer race days. Out-of-state thoroughbred handle decreased 19.5%. By subtracting the Breeders' Cup handle from the 2008 totals, then the decrease in out-of-state thoroughbred handle would be approximately 8.2%. Out-of-state harness handle decreased 19.7% despite more tracks and race days.

Page 6 is a summary of statewide OTB handle by region. On average, the OTB regions' handle decreased over 2008 by 14.4% for the month of October with Suffolk's decrease worse than the average at 16.8%. Compared to Nassau whose decrease was 12.6% the possible reason may be the internet wagering and player rewards, both of which are in the developing stages. On a year-to-date basis, the statewide decrease is 10.6% with Suffolk's being 14.1%.

As a preview to November, through the 17<sup>th</sup> month-to-date handle was down 14.4% from 2008 with 6 dark days in the first 17 days versus 5 dark days in the same time frame in 2008.

### **ITEM #3      MISCELLANEOUS**

President Casale announced that immediately following the meeting, he would be traveling to Manhattan to attend a meeting with the Board Chairman of New York City OTB. Also attending would be Don Groth, President of Catskill, and John Signor, President of Capital OTB. He said the purpose of the meeting is to discuss the plans being formulated by New York City OTB regarding the filing of its Chapter 9 Bankruptcy petition. Mr. Frucher's vision is to reduce the number of branches and replace them with a network of kiosks similar to Suffolk's Qwik-Bets. He also intends to address the debt and cash flow problems. One thing that has been

mentioned is some kind of bond financing and filing a Chapter 9 re-organization plan with the Federal Bankruptcy Court. Part of the concern for Suffolk OTB is that any relief granted to New York City OTB through legislative change should apply to all the OTBs since they face the same problems but on a smaller scale. The legislative changes must be made in the distribution formula as well as the licensing and regulation out-of-state ADWs. He will take notice at the meeting today to see what their plans are.

The Corporation is managing the budget as well as can be expected during the economic downturn. The next four months will be difficult as revenue decreases during the fourth and first quarters even in economic boom times. NYRA will be closed for an extended period of time during the Christmas Holiday resulting in a large drop in revenue. Combined with the economy, it will have a huge impact on the Corporation's ability to maintain positive cash flow. Since we have been address the expense side for a number of years we must now focus on a solution to increasing revenue. Budget meetings have been instituted for every Monday morning consisting of key individuals in the Corporation. Those meetings are open and the Board members are urged to attend. Regrettably there have been no changes in the industry and everyone around the state, generally speaking, is in the same boat. Across the country, the entire horseracing industry is in decline. New York State Government has failed to endorse the solution we have been proposing in terms of legislative changes for years and as a result not taken the necessary steps. He is scheduled to address the Ways and Means Committee of the Suffolk County Legislature on December 9<sup>th</sup> at which time he will emphasize the lack of action by the State and the continued decline in the industry. The question will remain is what kind of a revenue stream will Suffolk OTB be able to provide to the Suffolk County taxpayers. These are the things that must be addressed over the next months and the pressure must be stepped up.

There has been no report by the Task Force. There are no great expectations that they will have any creative ideas regarding the OTBs.

Another item that President Casale addressed is the rumor that Nassau and New York City OTBs will merge. He had heard nothing definitive and when asked by a reporter if Suffolk was going to also merge with them, he replied he had not been told anything. The one thing he stated was that it would make no sense for Suffolk to merge with a Corporation that had gone into a Chapter 9 Bankruptcy filing.

A new budget is being developed and we should have that report in December. Obviously, the new budget will reflect the projected conditions for the future.

Chairman Feeney attended a meeting with the Audit Committee and State Comptroller's staff at which time certain issues were addressed. Hopefully, the report will be out soon. A confidential draft of the preliminary report was furnished to the Board members who were asked for their input if any. President Casale and Comptroller Gazes will be preparing a response. Vice Chairman Hemendinger noted the last paragraph which stated the Board would institute corrective action and submit a report which President Casale acknowledged and stated would be taken care of. While confidential, President Casale is able to report that generally there are no surprises in the audit report and feels it reflects favorably on the efforts that Suffolk OTB has been making as well as the conditions that exist with respect to the economy and the statutory requirements the Corporation is forced to comply with. Their recommendations are for the most part steps that the Corporation has already undertaken and put into effect so that it is a matter of continuation of the same.

There have been some discussions regarding the new requirement by the NYS Racing & Wagering Board for the independent monitoring system to make sure all wagers are being

processed properly. As is always the case when new requirements are put in place, it costs money to do so. There has been much discussion and some correspondence among the regional OTBs, the tracks and the tote companies and all seem to be in agreement.

There has been an on-going discussion regarding the maintenance of effort payments Yonkers claims to be owed. This follows the ruling of the Court of Appeals. Suffolk's position is that Yonkers was closed for eighteen months and that no payments should be due for that period.

The deadline for the RFP for auditing services is due Friday, November 20<sup>th</sup>.

**ITEM #4      RESOLUTION FOR NEW WORKER'S COMPENSATION CARRIER**

Counsel Tiger reminded the Board members of the telephone calls they had received regarding the Worker's Compensation insurance and the recommendation that the Corporation proceed with PERMA as its new carrier. A resolution is required by the Board confirming the decision to proceed. Accordingly, Vice Chairman Hemendinger made a motion to approve the resolution adopting PERMA as the Worker's Compensation carrier for the Corporation, seconded by Secretary Wynn and unanimously approved.

**ITEM #5      UPDATE ON PUBLIC RELATIONS**

Debbie Pfeiffer stated that there is information on the Player Rewards Program in the Board's packets. The player tracking commenced on November 1<sup>st</sup>.

A letter has been signed by the local State delegation addressed to both legislative branches in support of our position with respect to the revenue distribution.

There being no further business, Vice Chairman Hemendinger made a motion that the meeting be adjourned, seconded by Secretary Wynn and unanimously passed.

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Secretary

RESOLUTION

After a motion was made, seconded and a unanimous vote, it is hereby

RESOLVED, that the President/CEO of SUFFOLK REGIONAL OFF-TRACK BETTING CORPORATION is hereby authorized to enter into an agreement with PERMA to provide the Corporation with Worker's Compensation Insurance for a period of twenty six (26) months commencing November 2009.

CERTIFICATE OF SECRETARY

EDDIE S. WYNN, being the Secretary of Suffolk Regional Off-Track Betting Corporation, does hereby certify that said Resolution has duly passed at a regular meeting of Suffolk Regional Off-Track Betting Corporation held at Corporate Headquarters, 5 Davids Drive, Hauppauge, New York 11788 on the 19th day of November, 2009.

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Secretary